

Message Text

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ORIGIN AF-06

INFO OCT-01 EUR-12 ISO-00 IO-10 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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FM SECSTATE WASHDC

TO AMEMBASSY ROME

INFO AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: EFIN, ETRD, IT

SUBJECT: STATUS OF ZAIRIAN/IMF NEGOTIATIONS

REF: ROME 18041

1. GOZ AND IMF ARE BOTH COMPLETING STAFF WORK ON ELEMENTS OF A MAJOR STABILIZATION PROGRAM PREPARATORY TO RETURN OF IMF TEAM TO KINSHASA EARLY/MID-JANUARY. AT THAT TIME WE WOULD EXPECT ZAIRE TO SIGN MEMORANDUM OF UNDERSTANDING ON PROGRAM ELEMENTS. PROGRAM WOULD BE SUBMITTED PROMPTLY TO FUND BOARD AND STANDBY COULD BE SIGNED BY EARLY FEBRUARY, ACCORDING TO IMF STAFF. STAFF REGARDS WORK DONE BY ZAIRIAN STABILIZATION COMMISSION AS SERIOUS AND THOROUGH. MOBUTU PUBLICLY ANNOUNCED AUSTERITY/REFORM/

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LIBERALIZATION PROGRAM IN HIS NOVEMBER 24 10TH

ANNIVERSARY SPEECH AND SEEMS TO BE COMMITTED TO GOING THROUGH WITH IMF AGREEMENT.

2. WE WOULD EXPECT STABILIZATION PROGRAM TO INCLUDE: A STRICT PRIORITY FOREIGN EXCHANGE BUDGET, WITH A SUBSTANTIAL REDUCTION IN GOVERNMENT SPENDING ON SERVICES ABROAD; CANCELLATION OF LOW-PRIORITY PROJECTS FOR WHICH FOREIGN LOANS HAVE BEEN SIGNED BUT NOT DRAWN DOWN; STRICT INTERNAL BUDGETARY AND CREDIT CONTROL TO RESTRAIN GROWTH OF MONEY SUPPLY AND DEMAND FOR IMPORTS; A SUBSTANTIAL

DEVALUATION; RESCHEDULING OF PRINCIPAL REPAYMENT ON MEDIUM AND LONG-TERM DEBT PAST DUE OR COMING DUE IN 1976; AND LIBERALIZATION OF THE ECONOMY, INCLUDING PARTIAL REVERSAL OF "RADICALIZATION" PROGRAM TO ATTRACT BACK FOREIGN OWNERS AND EXPERTISE.

3. IMF STAFF EXPECTS ZAIRE TO MEET CONDITIONS FOR 1975 OIL FACILITY IN MEETING THOSE FOR STANDBY AND THUS TO HAVE IMMEDIATELY AVAILABLE FROM FUND NOT ONLY 34 MILLION DOLLARS FIRST CREDIT TRANCHE AND 34 MILLION DOLLARS IN COMPENSATORY FINANCING BUT ALSO ABOUT 25-35 MILLION DOLLARS FROM OIL FACILITY (EXACT AMOUNT WILL DEPEND UPON FUNDING AVAILABILITY). SECOND CREDIT TRANCHE WOULD NOT BE INCLUDED AT THIS TIME NOT BECAUSE STABILIZATION MEASURES ENVISAGED WOULD WARRANT THIS BUT RATHER SO THAT SOME IMF RESOURCES WOULD BE LEFT FOR A FOLLOW-ON PROGRAM LATER. IMF HAS BEEN ASKED BY ZAIRE TO TAKE THE LEAD IN ORGANIZING RESCHEDULING AND WOULD BE WILLING TO DO SO IF ALSO ASKED BY CREDITORS. ROBINSON

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